JANUARY
FEBRUARY
MARCH
APRIL
MAY
JUNE
JULY
AUGUST
SEPTEMBER
OCTOBER
NOVEMBER
DECEMBER

EMCO LIMITED ANNUAL REPORT 1969

FINANCIAL HIGHLIGHTS

	1969	1968
Sales — increased 7.2%	**$89,380,000**	83,399,000
Earnings before extraordinary item — increased 18.6%	**1,758,000**	1,482,000
Extraordinary item	**1,649,000**	—
Net earnings — increased 129.9%	**$ 3,407,000**	1,482,000
Common share results		
Before extraordinary item		
Net earnings	**$ 1.39**	1.17
Cash earnings	**2.23**	2.01
Including extraordinary item		
Net earnings	**2.71**	1.17
Cash earnings	**3.55**	2.01
Net worth	**14.58**	12.42
Dividends paid	**.55**	.53 3/4
Return on shareholders' equity January 1, (based on earnings before extraordinary item)	**11.2%**	10.0%
Capital expenditures — net	**$ 1,742,000**	1,797,000

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EMCO LIMITED
Box 5300,
London 12, Canada.
Subsidiaries in the United States, Great Britain, Germany, France, Australia and Japan.

DIRECTORS

John W. Adams, F.C.A., London, Ontario
Executive Vice-President and Treasurer, Emco Limited

C. Norman Chapman, London, Ontario
President and General Manager, Emco Limited

W. Harold Evans, Toronto, Ontario
Director, Honeywell Controls Limited

Hon. Louis P. Gelinas, Montreal, Quebec
Consultant to Geoffrion, Robert & Gelinas, Co.

C. Robert Ivey, Toronto, Ontario
President, Multi-Grind Limited

Peter J. Ivey, London, Ontario
Chairman, Chief Executive Officer, Emco Limited

Peter N. Jaffray, Toronto, Ontario
Director, Dominion Securities Corporation Limited

Frederick W. P. Jones, London, Ontario
Professor, School of Business Administration,
University of Western Ontario

Ralph S. MacLean, London, Ontario
Vice-President, Marketing, Emco Limited

William G. Poy, New York, N.Y.
Branch Manager, H. Hentz & Co.

W. Jackson Schultz, Short Hills, New Jersey
President, Emco Wheaton Inc.

John H. Stevens, London, Ontario
Director, Emco Limited

David B. Weldon, London, Ontario
President, Midland-Osler Securities Limited

Robert F. Wheaton, Short Hills, New Jersey
Vice-President, Emco Wheaton Inc.

OFFICERS

Peter J. Ivey
Chairman, Chief Executive Officer

C. Norman Chapman
President and General Manager

John W. Adams, F.C.A.
Executive Vice-President and Treasurer

Ralph S. MacLean
Vice-President, Marketing

Stuart F. Smith
Vice-President, Manufacturing

A. Robert Martin, C.A.
Comptroller and Secretary

William M. Eager
Assistant Treasurer

TRANSFER AGENT & REGISTRAR
Royal Trust Company
Toronto, Montreal and Winnipeg

AUDITORS
Peat, Marwick, Mitchell & Co.
London, Canada

TO EMCO SHAREHOLDERS

We are pleased to report an improvement in the results of your Company's 1969 operations as compared with 1968. Earnings after taxes were the second highest in the Company's history. Details of these results are set out in the "Financial Review" section of this report, and are briefly summarized as follows:

Sales advanced to $89 million, an increase of 7% over last year, and our highest volume in history.

Net earnings after taxes on income were $1.8 million or $1.39 per common share compared with $1.5 million or $1.17 per share in 1968.

Cash income from operations increased to $2.8 million or $2.23 per share (after preference share dividends) compared to $2.5 million or $2.01 per share in 1968. This represents a record in cash earnings per share.

WHOLESALE DISTRIBUTION DIVISION

Results in this division showed a satisfactory improvement. Sales increased 5.3% over 1968, gross profit was up 8% and despite a considerable increase in wage levels (a major distribution cost) an operating profit increase of 14.1% was achieved.

The future of this division is tied directly to the growth of the construction industry, particularly to new housing starts. There were 210,000 housing starts in 1969 valued at $4 billion, a 6.9% increase over the previous year's total. By 1975, the volume of housing starts in Canada has been forecast at 290,000 units with a value of $5.8 billion and we intend to maintain or increase our share of this market.

As a result of intense price competition, profits in this division are less than our desired return on investment. Regardless of this, we instituted a policy in 1969 of setting a minimum profit contribution on every transaction, and this created the 8% increase in the gross profit. Comparing our results with statistics available in Canada and the U.S.A., we are satisfied that our Wholesale Division efficiency rating is among the best in the industry.

GENERAL MANUFACTURING DIVISION

This division, consisting of our London factory and our Plastics plant at Brampton, Ontario, experienced a better year although overall results have not yet returned to levels of previous years. The increasing use of plastics in the plumbing industry and the process piping field is evident, and we are developing the technical knowledge and skills to take advantage of this rapidly expanding market. At the same time, we recognize the need for some degree of diversification in our plastics operation to ensure a continued growth, and we are presently quoting on new and interesting contracts.

During the year, we continued to increase the proportion of Emco's manufactured products which can be sold through our Wholesale Division and this policy will be further strengthened during 1970.

STAMPED AND ENAMELLED WARE DIVISION

On May 1, 1969, Emco purchased the Stamped & Enamelled Ware Division of Slater Steel Industries for approximately $3,000,000. This factory, located in Hespeler, Ontario, manufactures stamped steel bathtubs, basins and laundry trays which complemented our range of products. In December, 1969, we were presented with, and accepted, a cash offer which resulted in an extraordinary gain of $1,648,000 (or $1.32 per share). Your Directors felt they should not overlook this opportunity because the gain represented the equivalent of many future years of profit for this new division. Regardless of this sale, our objective has been, and will continue to be, the acquisition of other manufacturing facilities, the products of which can be marketed through our Wholesale Division.

ENGINEERED PRODUCTS DIVISION

Our world-wide manufacturing and distributing facilities have been receiving special attention during 1969. Plans were finalized for the formation of Emco Wheaton (International) Limited which came into operation January 1, 1970, for the purpose of co-ordinating the activities of the seven companies within the Engineered Products Division. Emphasis is being placed on the rationalization of product manufacture and the development and co-ordination of our export markets. A network of distributors serving over 100 countries throughout the world is already established for the Emco Wheaton range of products.

Emco's international operations will be directed by Mr. J. G. Beresford, who will return to Canada from his present assignment as Managing Director of Emco Wheaton U.K. Limited to become Vice-President of the Engineered Products Division. A new Managing Director has been appointed for Emco Wheaton U.K. Limited.

The results of the various operations within this division were satisfactory except for the subsidiary in the U.S.A. Personnel problems within this important subsidiary seriously slowed down our planned progress, but these problems are in the course of correction and we are confident that a solid management base has been established which will lead to future improvement in earnings. Our new automatic service station nozzle, which went into production in 1969, has been well received, and several new products in the fleet fueling field show considerable promise in the U.S.A. market for 1970. In a recent message to the U.S. Congress, President Nixon proposed strict new government standards to eliminate all auto-caused pollution by 1975. These developments are expected to force oil companies and automobile manufacturers to introduce unleaded gasoline. This action should result in an above normal demand for many of our products used in the re-equipment of tank truck, bulk terminal and service station facilities.

Operations at Emco Wheaton U.K. Limited in England produced a satisfactory increase in profit although sales decreased slightly. This reflects a return to more normal conditions after last year's exceptional expenditures on special product development. These large expenditures resulted in a new range of marine loaders which patents have now been applied for. Product announcements will be released to the industry in a few months.

Emco Wheaton GmbH had another successful year. Orders were obtained by our German company for fluid handling equipment in Poland, which could hopefully lead to further orders from Eastern Bloc countries.

At Emco Wheaton (Japan), Limited, the effects of good management have been very pronounced. This division enjoyed an excellent year both in sales and profits and, with a new, well staffed, well equipped factory, enters 1970 with optimism. The Canadian manager of Emco Wheaton (Japan), Limited throughout 1969 has now transferred to Emco's Australian operation where his management ability will improve the performance of this subsidiary.

The Research and Development Group at Margate, England, part of the Engineered Products Division, has been strengthened, both in manpower and equipment. The engineering staff has doubled since January, 1968, to serve the increasing demands of the Engineered Products Division and to constantly develop new and diversified products for the oil and chemical industries.

A very large percentage of the world's supply of crude and refined petroleum products is transported by ocean tankers. The Company's loading and unloading equipment, designed for rapid transfer of petroleum cargoes, and engineered to be leak proof and safe against harbour polluting spillage, is in great demand.

OUTLOOK FOR 1970

While the results of 1969 were satisfying in most divisions of the Company, we recognize the need for continuing improvement in several areas of our operations, if we are to continue our rate of progress through the '70's. Emco's future growth demands more intensive and imaginative planning in each division which, in fact, has caused us to re-examine and restate our management objectives as they relate to both our Canadian and International operations. To this end, an "in-company" study has commenced, spearheaded by Emco's own staff and aided by professional assistance, to evaluate our present approach to markets and to introduce specific functional improvements.

The fact that the real growth of the Gross National Product for 1970 has been projected as dropping to 3% against a normal growth of 5%, causes us to approach the year 1970 with a considerable degree of caution. This suggested slowdown in our economy could have an adverse effect on both our volume and earnings. We feel, therefore, that we must intensify our efforts to attract and hold superior personnel who have the imagination, ability and energy to cope with these problems and to improve the Company's profit performance.

Emco Limited is a "people oriented" company. We are convinced that internal progress and future acquisitions will only be as successful as our ability to develop and train the required personnel to support them. We will attempt to identify the best interests of our employees with the best interests of our stockholders by matching rewards to performance and to the attainment of both short and long range objectives. One of the principal objectives of your management is to increase the intrinsic value of the Company's common stock.

We recognize the need to join our Canadian Government in its present drive against inflation and we will do our part in attempting to keep prices stable. To this end, we are hopeful that our London plant negotiations with the United Steelworkers of America early in 1970 will reflect this same attitude.

In common with industry generally, your management is concerned with the Canadian Government's White Paper on tax reform, which if adopted in its present form, could provide serious disincentives to work and to the investment of savings in our country.

The results for 1969 were attainable through the efforts of an able group of dedicated employees from many countries, speaking several languages and contributing to a common purpose — the continued increase of your Company's earnings. We are pleased to acknowledge their contribution on your behalf.

On behalf of the Board of Directors:

Chairman, Chief Executive Officer

President and General Manager

London, Canada, March 31, 1970

EMCO LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968)

	1969	1968
Sales, less sales taxes	**$89,380,133**	83,398,575
Operating profit after minority shareholders' interest but before the undernoted items	**6,059,581**	5,010,831
Income from marketable securities	**22,108**	20,856
	6,081,689	5,031,687
Deduct:		
Depreciation — Note (3)	**1,086,769**	1,018,072
Interest on bank and other short-term advances	**853,081**	378,587
Interest on long-term debt	**753,430**	665,907
	2,693,280	2,062,566
Earnings before taxes on income	**3,388,409**	2,969,121
Taxes on income:		
Current	**1,674,000**	1,453,000
Deferred	**(44,000)**	34,000
	1,630,000	1,487,000
Earnings before extraordinary item	**1,758,409**	1,482,121
Extraordinary item — gain on sale of Stamped & Enamelled Ware Division	**1,648,431**	—
Net earnings for the year	**$ 3,406,840**	1,482,121
Net earnings per common share, based on shares outstanding at December 31 and after preference dividends:		
Before extraordinary item	**$ 1.39**	1.17
Extraordinary item	**1.32**	—
Net earnings	**$ 2.71**	1.17

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968)

	1969	1968
Amount at beginning of year	**$15,104,598**	14,133,861
Add:		
Net earnings for the year	**3,406,840**	1,482,121
Adjustment of prior years' taxes on income	—	200,000
	3,406,840	1,682,121
	18,511,438	15,815,982
Deduct dividends:		
Preference	**16,859**	24,898
Common	**686,933**	686,486
	703,792	711,384
Amount at end of year	**$17,807,646**	15,104,598

See accompanying notes to financial statements.

AUDITORS' REPORT

We have examined the consolidated balance sheet of Emco Limited and subsidiaries as of December 31, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and subsidiaries at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles which have been applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants.

London, Canada
February 26, 1970.

EMCO LIMITED AND SUBSIDIARIES
Consolidated Balance Sheet **DECEMBER 31, 1969** (with comparative figures for 1968)

ASSETS

Current assets:

Cash . . . .

Marketable securities, at cost (quoted value 1969 $123,195; 1968 $484,214) . . . .

Trade accounts receivable, less allowance for doubtful accounts (1969 $670,280; 1968 $612,720) . . . .

Inventories at the lower of cost or net realizable value . . . .

Prepaid expenses . . . .

Total current assets . . . .

Long-term receivables . . . .

Fixed assets, at cost, less depreciation — Notes (2) and (3) . . . .

Deferred income taxes . . . .

on behalf of the Board: C. N. Chapman, Director; J. W. Adams, Director.

1969	1968
$ 102,558	295,014
144,833	500,550
11,986,243	11,634,024
23,048,336	21,172,641
393,069	430,714
35,675,039	34,032,943
236,201	243,047
9,640,461	8,984,792
223,388	179,388
$45,775,089	43,440,170

LIABILITIES

	1969	1968
Current liabilities:		
Due to banks	$ 3,348,082	7,048,925
Notes payable	3,057,483	—
Accounts payable and accrued expenses	8,010,856	7,054,712
Dividends payable	178,377	181,949
Current portion of long-term debt	231,112	190,544
Income and other taxes payable	1,692,947	1,526,196
Total current liabilities	16,518,857	16,002,326
Long-term debt — Note (4)	10,539,043	11,177,140
Minority interest in subsidiary companies	58,470	67,623
Shareholders' equity:		
Capital stock — Note (5)	851,073	1,088,483
Retained earnings	17,807,646	15,104,598
Total shareholders' equity	18,658,719	16,193,081
	$45,775,089	43,440,170

See accompanying notes to financial statements.

EMCO LIMITED AND SUBSIDIARIES

Consolidated Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968)

	1969	1968
Funds provided:		
Net earnings for the year	$ 3,406,840	1,482,121
Add:		
Depreciation	1,086,769	1,018,072
Deferred income taxes	(44,000)	34,000
Funds provided from operations	4,449,609	2,534,193
Issue of common shares	1,900	33,000
Decrease in long-term receivables	6,846	101,382
Total funds provided	4,458,355	2,668,575
Funds used:		
Fixed asset additions, net	1,742,438	1,796,813
Reduction in long-term debt	638,097	258,229
Redemption of second preference shares	239,310	296,610
Dividends on second preference shares	16,859	24,898
Dividends on common shares	686,933	686,486
Reclassification of deferred income taxes	—	13,388
Decrease in minority interest in subsidiary companies	9,153	37,738
Total funds used	3,332,790	3,114,162
Increase (decrease) in working capital	$ 1,125,565	(445,587)
Working capital at end of year	$19,156,182	18,030,617

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

(1) The accompanying financial statements consolidate the accounts of all subsidiary companies and all material inter-company balances and transactions have been eliminated.
The accounts of the subsidiary companies located outside Canada have been translated to Canadian dollars as follows: current assets, current liabilities and long-term debt — at rates current at the year end; fixed assets — at rates current on dates of acquisition; accumulated depreciation and related provisions against income — on the basis of dollar value of related assets; and operating income and other expenses — at average rates for the year.

(2) The details of fixed assets, at cost, less depreciation at December 31, are as follows:

	1969	1968
Buildings and roadways	**$ 8,903,057**	8,417,218
Machinery and equipment	**8,345,968**	7,505,404
	17,249,025	15,922,622
Less accumulated depreciation.	**8,574,331**	7,781,122
	8,674,694	8,141,500
Land	**965,767**	843,292
Fixed assets, less depreciation..	**$ 9,640,461**	8,984,792

(3) During the year ended December 31, 1969 the basis of providing depreciation was reviewed in light of current experience on the useful lives of the respective assets. As a result, depreciation has been provided in the current year at an annual rate of 5% on the cost of frame structures and at a rate of 2½% on the cost of brick and concrete buildings on a straight line basis instead of 10% and 5% respectively as used in prior years. The effect of this change is to reduce the charge for depreciation for the year 1969 by $156,000 as compared to the amount which would have been charged if the prior basis had been used with a consequent increase of approximately $78,000 in net earnings for the year after giving recognition to the related income tax effect.
Depreciation on all other fixed assets generally is provided, unchanged from prior years, on the cost thereof on a straight line basis at the following rates:

Roadways	10%
Machinery and equipment	10%

(4) The particulars of the long-term indebtedness are as follows:

	1969	1968
Emco Limited debenture debt— Note (a):		
5¼% sinking fund debentures, due October 15, 1973	**$ 1,893,500**	2,078,000
5¾% sinking fund debentures, due June 15, 1985 ..	**5,067,000**	5,467,000
United States subsidiaries:		
Note payable, due January 1, 1971 $3,100,000 US; interest at ¾% above the New York prime rate which was 8½% at December 31, 1969	**3,326,300**	3,323,200
6% mortgage note payable in monthly instalments of principal and interest of $3,583 US, due August 1, 1986	**483,355**	499,484
	10,770,155	11,367,684
Less amounts due within one year included with current liabilities	**231,112**	190,544
	$10,539,043	11,177,140

(a) At December 31, 1969 all of the sinking fund obligations for the debentures to that date had been met and the principal amount of debentures which have been tendered to the trustee in respect of future sinking fund requirements are as follows:

	5¼% Debentures	5¾% Debentures
Principal amount tendered to the trustee	$ 9,500	555,000
Debenture debt falling due or to be met out of further sinking fund payments within the five years ending December 31, 1974		
1970	$ 213,500	—
1971	234,000	—
1972	246,000	—
1973	1,200,000	60,000
1974	—	176,000

(5) Capital stock:

(a) The authorized and issued capital at December 31, 1969 is as follows:

	Number of Shares	
	Authorized	Issued
First preference shares with a par value of $100 each	150,000	—
3% cumulative redeemable second preference shares with a par value of $10 each	105,832	44,232
Common shares without nominal or par value	2,200,000	1,249,025

The outstanding share capital is as follows:

	1969	1968
First preference shares	$ —	—
3% second preference shares	**442,320**	681,630
Common shares	**408,753**	406,853
	$ 851,073	1,088,483

(b) The provisions with respect to the 3% cumulative redeemable second preference shares include a requirement that the company shall apply to the redemption of preference shares, before July 1 in each year, a sum equal to 25% of the consolidated net earnings of the company (as defined in such provisions) in excess of $500,000 for the immediately preceding fiscal year of the company after deducting from the said consolidated net earnings dividends for such fiscal year on the preference shares.

Pursuant to this requirement 23,931 preference shares were redeemed at par in 1969, an aggregate amount of $239,310 to satisfy the 1968 requirement. To satisfy the 1969 requirement $442,320 must be applied to the redemption of preference shares on or before July 1, 1970.

(c) In 1960 and 1969 share option plans were established for certain executives whereby authorized and unissued common shares were reserved for issue under the plans. As at December 31, 1969, the following is a summary of the plans:

	Number of Shares	
	1960 Plan	1969 Plan
Reserved for issue	60,000	50,000
Options granted	57,500	5,800
Remaining	2,500	44,200
Options taken up since the inception of the plan	47,400	125
Options granted not taken up	10,100	5,675
	57,500	5,800

Shares granted under option and not yet taken up:

Option Price per share	Expiry Date	Number of Shares	
$14.37	March 12, 1976	4,100	—
16.50	December 31, 1972	2,500	—
21.85	August 13, 1973	2,500	—
18.00	December 31, 1973	1,000	—
15.20	December 31, 1972	—	5,675
		10,100	5,675

With regard to the 1969 plan, during the year options were granted for 5,800 shares and 125 shares were taken up for a consideration of $1,900 cash.

With regard to the 1960 plan, during the year options for 1,000 shares were granted and an option was cancelled for 2,500 shares. No shares were taken up during 1969.

In addition, 13,500 authorized and unissued common shares are reserved for issue at any time prior to December 31, 1972 for share options granted by Emco Wheaton Inc. (a subsidiary company) during 1967 to certain officers of Emco Wheaton Inc. at $16.50 per share.

(d) A share purchase plan was approved in 1968 whereby the employees of the company and its subsidiaries (excluding officers and directors of Emco Limited) may purchase common shares of the company, and 50,000 authorized and unissued common shares have been reserved for this purpose. Of these, 25,000 shares have been set aside for issue at $17.35 per share to be fully paid for by way of payroll deductions over the two year period ending June 30, 1970. At December 31, 1969, $177,549 had been received (included in "accounts payable and accrued charges" in the accompanying balance sheet) to be applied to the purchase of 13,845 shares for issue June 30, 1970.

(e) The trust deeds relating to the debentures both contain provisions whereby dividends may not be declared or paid, other than stock dividends or cumulative preference dividends, and the company may not effect any reduction to its capital stock which would reduce consolidated net current assets and shareholders' equity (as therein defined) below certain levels. At December 31, 1969, the consolidated net current assets and shareholders' equity (as so defined) were substantially in excess of the minimum levels.

(6) The aggregate direct remuneration paid or payable by the company and its subsidiaries to directors and senior officers was $384,000 for the year ended December 31, 1969.

(7) Pension costs are paid and charged against earnings in the year in which they are incurred. There are no significant unfunded past service costs at December 31, 1969.

FINANCIAL REVIEW

FINANCIAL STATEMENTS

Financial statements often look more complex than they really are. For some readers of this report, particularly young or new shareholders who may not be familiar with annual reports, additional comment on the important figures in this report may make them more understandable and useful.

Generally speaking, our financial statements are prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants and the reporting requirements of the Ontario Corporations Act together with other information considered to be of interest to shareholders and other interested parties. Some additional comments may make the financial data more meaningful.

Consolidated Statement of Earnings

The 'Consolidated Earnings' statement reflects the operating results of the Company for the years 1969 and 1968.

'Earnings per share' represents the portion of the income for a period attributable to a share of issued capital of an enterprise. This information assists shareholders in evaluating the past operating performance of a business, in forming an opinion as to its potential and in making investment decisions.

The gain which resulted from the sale of the Stamped & Enamelled Ware Division is described as an 'extraordinary item'. This term is used to describe the accounting treatment for an item that is material in amount which is not typical of a company's normal business activities, is not expected to occur regularly over a period of years, and is not considered a recurring factor in any evaluation of the ordinary operating processes of the business.

Consolidated Balance Sheet

The amounts in the balance sheet simply show what the Company owns, how much it owes and shareholders' investment as of December 31. Items are categorized into what accountants generally agree are significant number groups. 'Current Assets' classifies items which can be converted into cash within one year, while 'Current Liabilities' generally represents amounts which must be paid within one year. 'Prepaid Expenses' are items paid in advance and chargeable for accounting purposes in a future year. 'Fixed Assets' identifies the total cost of land, machinery, equipment, etc., owned and includes purchases made during the year reported. 'Accumulated Depreciation' is the aggregate wear-and-tear expense charged since the purchase of the relative properties.

'Deferred income taxes', shown as an asset on the balance sheet, represents the difference between income taxes paid or payable as a result of amounts (mainly depreciation) recorded as expenses in the accounts in excess of the amounts deductible for income tax purposes. This treatment of the accounting for income taxes is known as the 'tax allocation' basis and follows the recommendations of the Research Committee of the Canadian Institute of Chartered Accountants.

SALES, EARNINGS AND CASH FLOW

Sales in Canada increased by 8 % while sales of our international companies increased by 4 %.

Net earnings were as follows:		Canada	International
1969		**1,582,000**	**176,000**
	Percent of total	90%	10%
1968		1,120,000	362,000
	Percent of total	76%	24%

Cash income from operations (income before depreciation and deferred taxes, and after preference dividends) per common share were $2.23 per share compared with $2.01 per share in 1968.

WORKING CAPITAL, RECEIVABLES AND INVENTORIES

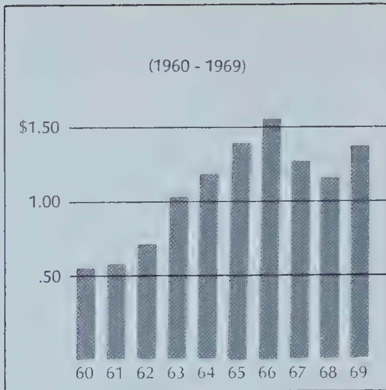
Working capital increased by $1.1 million and stood at $19.1 million at year end. The working capital ratio improved from 2.1:1 to 2.2:1 at the respective year ends. Full provision has been made for possible losses on uncollectible accounts receivable. Receivables increased by 3% compared with an increase of 7% in consolidated sales. We believe our 1969 bad debt losses to be relatively low when compared to the experience of the Canadian construction industry. Inventories increased by 9% reflecting to some extent inflationary price increases in replacement of products sold. Full provision has been made for possible losses through obsolescence.

CAPITAL EXPENDITURES, DEPRECIATION AND TOOLING

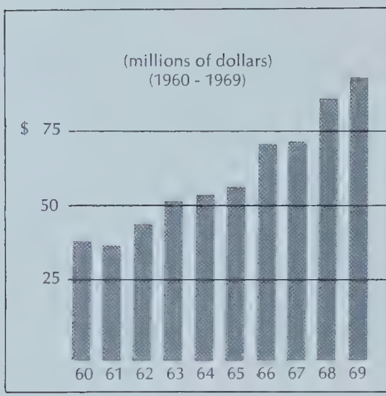
Net capital expenditures during 1969 were $1.7 million. The major additions were replacement of our Wholesale branch in Lethbridge, Alberta, purchase of a branch building in Belleville, Ontario (formerly leased), additional machinery for the Plastics Division, an addition to the Toronto plant of Emco-Wheaton Limited, improvements to our Toronto branch and pipe warehouse, the enlargement of our Barrie, Ontario wholesale operation and improvements to the London Factory chrome plating facilities including new equipment to chrome plate plastic products.

As explained in note (3) to the financial statements, the rates used to determine depreciation of buildings were changed during the year. It is felt that this basis will result in a more suitable rate of amortization of these costs over the useful lives of these assets.

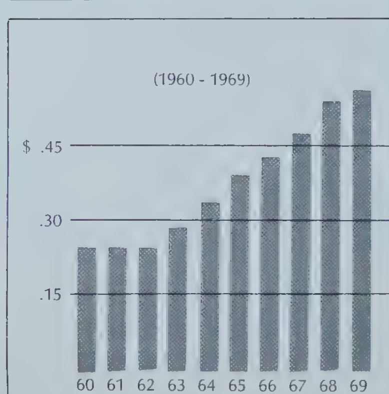
EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEMS



SALES LESS SALES TAXES



DIVIDENDS PER SHARE



TEN YEAR FINANCIAL SUMMARY

SALES, LESS SALES TAXES

SOURCE AND APPLICATION OF FUNDS

FUNDS PROVIDED

Earnings before extraordinary items
Extraordinary items
Depreciation charged
Deferred income taxes

Cash earnings
Issue of common shares
Minority interests
Issue of 5¾% debentures
Note payable
Long-term debt, acquired companies

FUNDS USED

Capital expenditures — net
Redemption of second preference shares
Dividends — second preference
— common
Reduction in long-term debt
Investment in other companies
Reclassification of deferred income taxes
Excess of purchase price of subsidiary companies acquired during the year over value of underlying net tangible assets
Other — net

Increase (decrease) in working capital

Working capital at December 31

COMMON SHARE RESULTS

Before extraordinary items
Net earnings
Cash earnings
Including extraordinary items
Net earnings
Cash earnings
Net worth at December 31
Dividends paid
Return on shareholders' equity at January 1 (based on earnings before extraordinary items)

1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
$89,380	83,399	74,325	72,331	60,692	54,280	50,988	42,664	36,890	38,877
$ 1,758	1,482	1,637	1,973	1,746	1,494	1,304	940	781	767
1,649	—	84	192	103	161	—	105	—	194
1,087	1,018	785	734	657	605	545	495	468	459
(44)	34	—	—	—	—	—	—	—	—
4,450	2,534	2,506	2,899	2,506	2,260	1,849	1,540	1,249	1,420
2	33	88	87	29	15	53	—	2	—
(9)	(38)	(371)	69	363	16	(5)	23	10	—
—	—	—	—	6,000	—	—	—	—	—
—	—	—	—	561	—	—	—	—	—
—	—	3,867	—	—	—	—	—	—	—
4,443	2,529	6,090	3,055	9,459	2,291	1,897	1,563	1,261	1,420
1,742	1,797	2,402	1,903	594	1,238	745	276	855	236
239	296	357	298	234	185	94	54	50	94
17	25	35	45	53	59	63	65	67	69
687	686	623	554	488	425	362	300	300	225
638	258	948	561	184	220	113	166	30	3
—	—	(54)	(84)	(72)	4	192	44	—	—
—	13	—	—	—	—	—	—	—	—
—	—	1,115	—	—	—	—	—	—	—
(5)	(101)	142	77	(67)	95	(19)	107	19	(29)
3,318	2,974	5,568	3,354	1,414	2,226	1,550	1,012	1,321	598
$ 1,125	(445)	522	(299)	8,045	65	347	551	(60)	822
$19,156	18,031	18,476	17,954	18,253	10,208	10,143	9,796	9,245	9,305
$ 1.39	1.17	1.28	1.56	1.39	1.18	1.02	.73	.60	.58
2.23	2.01	1.91	2.16	1.92	1.68	1.47	1.14	.98	.96
2.71	1.17	1.35	1.71	1.47	1.31	1.02	.82	.60	.74
3.55	2.01	1.98	2.31	2.00	1.81	1.47	1.23	.98	1.12
14.58	12.42	11.63	11.72	10.50	9.51	8.56	7.87	7.30	6.96
.55	.53¾	.48¾	.43¾	.38¾	.33¾	.28¾	.25	.25	.25
% 11.2	10.0	11.1	15.0	14.6	13.8	13.1	10.0	8.6	9.1

Note: Amounts shown above are thousands of dollars with the exception of data under the heading Common Share Results.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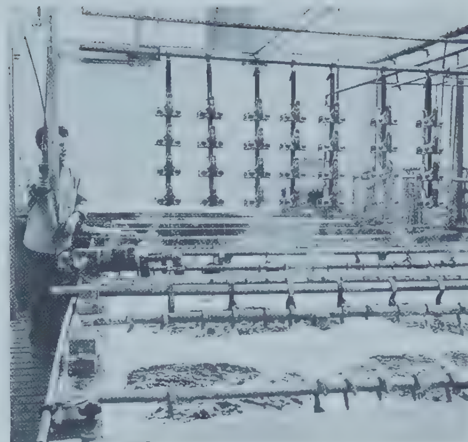
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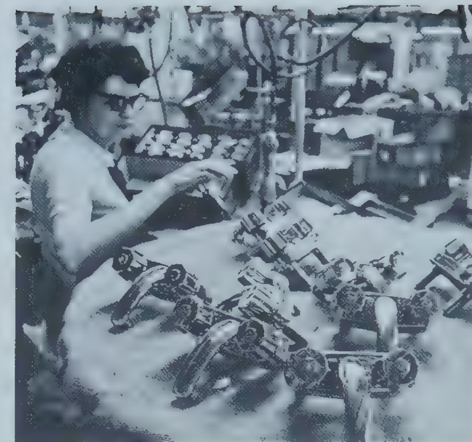
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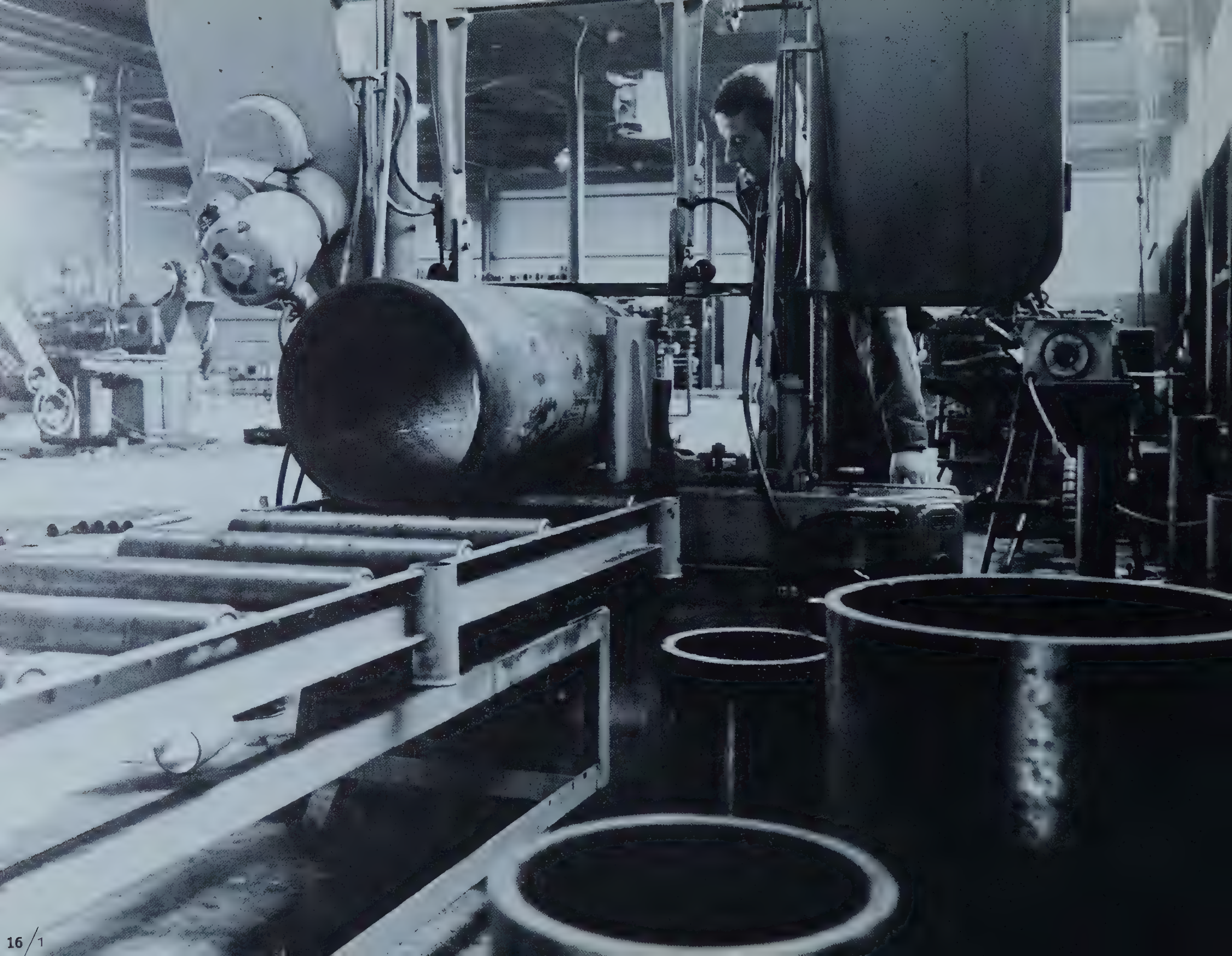
GENERAL MANUFACTURING DIVISION

Emco's cognizance of new materials and methods is reflected in a continuing program to improve quality and performance of its products.

New developments in plastics and other non-metallic materials are constantly tested and incorporated into Emco products or substituted for metal when proven to perform better. In addition to producing drain, waste and vent fittings for the plumbing industry, Emco's Plastic Products plant in Brampton, Ontario, has diversified its production and engineering capabilities to include complete custom injection moulding services.

Computer control methods are used to determine costs, schedules and inventory levels, and contribute to a more efficient production flow, from the initial foundry stage (2), through machining, chrome plating (3), assembly and packaging for distribution (4), and final installation in residential (1) and commercial buildings.

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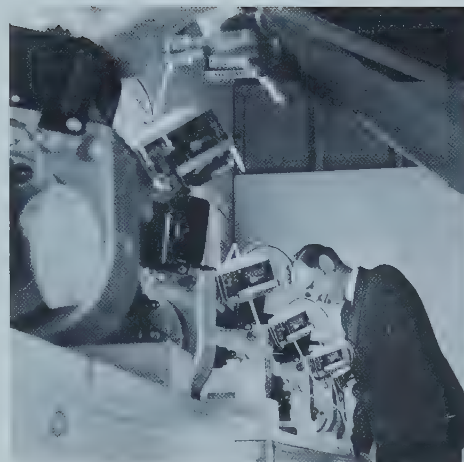
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WHOLESALE DISTRIBUTION DIVISION

Emco wholesale outlets have been serving industry and commerce across Canada for nearly 50 years. The growth and development of this division can be attributed to a formula of personal contact, coupled with quality product and a particular emphasis on service. This service is supported by a fleet of over 80 trucks, well stocked, controlled inventories and knowledgeable personnel.

To further support the normal branch inventory of standard pipe, three strategically located pipe warehouses at Montreal, Weston and Calgary, stockpile a wide range of pipe to meet all customer requirements. Central Pipe Warehouse (2) located at Weston, Ontario, is providing a new service to Emco branches and their respective customers. This expanded facility has special machinery for cutting, bevelling, grooving and threading of pipe (1) to job specifications.

The Company's Heating Operation assembles various types of heating units (3) in a modern building in Weston, Ontario (4) and supplies these products to Emco customers. Trained Heating personnel provide a complete Heating and Air Conditioning technical information service to customers.


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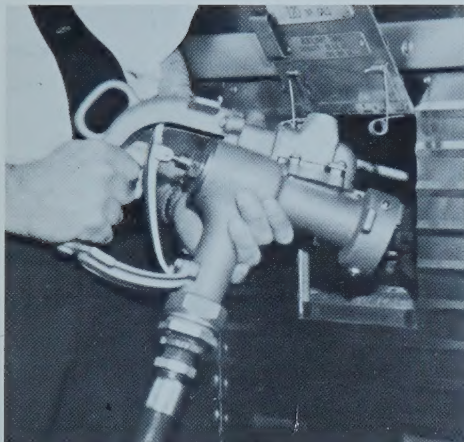

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3

4

ENGINEERED PRODUCTS DIVISION

An integrated group of seven companies with world-wide marketing facilities, this division, through its research and engineering facilities, continues to develop new systems for the control and transfer of fluids.

The new MYR linkage, recently developed for use on bottom loading equipment at tank truck and rail car installations (1), now enables the unit to accept a heavier coupler or member at the extreme end of the loader. The MYR linkage eliminates the former need for expensive and multiple spring balancing assemblies and gives improved ease of movement, especially in a horizontal plane.

A new, safer fleet fueling system (2) developed by Emco Wheaton, provides a positive, tight fill connection, delivers up to 150 gallons per minute, completely eliminates spillage and fills to a pre-set level, then shuts off automatically. It can be easily modified (at a later date) to achieve complete vapour recovery and meet future federal anti-pollution standards.

Our newest Emco Wheaton marine arm installations throughout the world testify to our ability to engineer and custom design marine transfer units (3 and 4) for tomorrow's supertankers.

Emco Limited principal divisions and subsidiaries

(wholly owned unless percentage indicated)

HEAD OFFICE DIVISION
London, Canada

GENERAL MANUFACTURING DIVISION

London Factory, London, Ontario
Manufacturer of plumbing, heating and industrial piping products for sale to wholesalers.

Plastic Products, Brampton, Ontario
Manufacturer of plastic plumbing and piping components.

Canadian Clyde Tube Forgings Limited, Toronto, Ontario
Distributor of steel welding fittings for industry.

ENGINEERED PRODUCTS DIVISION

Emco-Wheaton Limited, Toronto, Ontario
Manufacturer and distributor of engineered fluid handling equipment for the petroleum and petro-chemical industries. Distributor of specialty products for the natural gas and propane gas industries.

Emco Wheaton Inc., Union, New Jersey and Conneaut, Ohio, U.S.A.
Manufacturer of engineered fluid handling equipment for the petroleum and petro-chemical industries in the U.S.A.

Emco Wheaton G.m.b.H., Kirchhain, Germany (76% owned)
Manufacturer of engineered fluid handling equipment for the petroleum and petro-chemical industries in Western Europe.

Emco Wheaton U.K. Limited, Margate, England
Manufacturer of engineered fluid handling equipment for the petroleum and petro-chemical industries in the United Kingdom and for agents throughout the world.

Emco Wheaton S.A., Paris, France
Distributor of engineered fluid handling equipment for the petroleum and petro-chemical industries in France.

Emco Wheaton (Japan), Limited, Yokohama, Japan
Manufacturer of engineered fluid handling equipment for the petroleum and petro-chemical industries in Japan and the Far East.

Wheaton Australia Pty. Limited, Sydney and Melbourne, Australia (87% owned)
Manufacturer of engineered fluid handling equipment for the petroleum and petro-chemical industries in Australia.

PRODUCT DEVELOPMENT DIVISION

Research and Development Group, Margate, England
Tests and reviews existing products and develops new products for Emco's petroleum and petro-chemical manufacturing subsidiaries.

WHOLESALE DISTRIBUTION DIVISION

Weston, Ontario, 28 Branches across Canada
Distributors of plumbing, heating and industrial piping supplies to mechanical contractors and industry.

Barrie	Peterborough
Belleville	Prince George
Calgary	Quebec
Edmonton	Regina
Guelph	Saint John
Halifax	Saskatoon
Hamilton	Sault Ste. Marie
Kingston	St. Catharines
Kitchener	Sudbury
Lethbridge	Toronto
London	Ville de Brossard
Montreal	Weston
Oshawa	Windsor
Ottawa	Winnipeg

LITHOGRAPHED IN CANADA